

## **Frequently Asked Questions from Property & Appraisal FAQ Webinar**

**Does the appraiser need to check the automatic door lift and does the automatic garage door lift need to retract with resistance and/or have garage door sensors**

No. Automatic reverse mechanisms are not an FHA requirement.

**On an updated Mortgagee letter, cracked windows glass is no longer requires an automatic repair. Do broken broken/missing windows, or boarded up windows have to be replaced?**

It depends. If the windows are broken and could be considered a health and safety issue, they need to be replaced. However, if the glass is totally missing, and it is not considered a health or safety issue, it may not need to be replaced. Boarded-up windows do not have to be replaced/repared, unless they are in a bedroom where no other windows exist, and are required to be accessible for safety egress. Reference Mortgagee Letter 2005-48.

**Does FHA want the flood zone indicated for the site or improvement? Example, riverfront parcel with improved structure above the flood plain, yet part of parcel is in flood plain. If reading the form only, I indicate the site flood zone regardless of where the structure is.?**

Yes. Insurance under NFIP must be obtained as a condition of closing and maintained for the life of the loan for an existing property when any portion of the residential improvements is determined to be located in the SFHA.

**Will you post the Department of Energy link again for EEM?**

[www.energystar.gov/index.cfm?c=home\\_improvement.hm\\_improvement\\_contractors#s1](http://www.energystar.gov/index.cfm?c=home_improvement.hm_improvement_contractors#s1)

**How is it determined if a home will save more than the costs on the EEM?**

Worksheets are available in Mortgagee Letters 2009-18, 2005-21, and 1995-46.

**Does the flipping waiver extend to reverse mortgages (Home Equity Conversion Mortgage loans)?**

No. The waiver does not extend to Home Equity Conversion Mortgage loans.

**If a property is exempt from the 90-day flipping rule because it's a resale by a Federally Chartered Bank, do you still have to comply with the 2nd appraisal if property was resold for 2x the bank's acquisition cost?**

No. Exempt entities are exempt from the flipping provisions. Additionally, second appraisals are not a requirement, in any circumstance for transfer of properties occurring within 0-90 days. The requirement is that the lender justifies the increase in value by retaining supporting documentation in the loan file **and/or** a second appraisal.

**Texas is a non-disclosure State; therefore neither the lender or appraiser can know what the property sold for previously. The only info we have is from the Warranty Deed & Date of Transfer, which show the loan amount. How does the lender enter a Sales Price in FHA Connection and determine if 100% over acquisition price in the prior 180 days?**

In this instance you would use the Warranty Deed. The URAR completed by the appraiser shows the most recent sale of the property to have occurred at least one year previously, if available, but the mortgage lender is responsible for verifying that the seller is the owner of record. If the lender obtains conflicting information before loan settlement, it must be resolved.

**We need to order another FHA appraisal? Will it have the same case # as the first?**

For case numbers that have expired or have been canceled you will need a new case number. However, if the first appraisal has expired, and the case number is still active/available through FHA Connection, a new appraisal may be ordered under the same case number. In this last instance, both appraisals must be retained in the case binder/loan file.

**When dealing with a flip, my understanding is that the second appraisal must be entered in the Appraisal Logging. This material states that the second appraisal doesn't have to be entered in to FHA Connection.**

The 2nd appraisal is not required if the sale falls under 0-90 day flipping waiver rule, but if ordered to justify the increase in value, only the first appraisal should be logged into FHA Connection.

**If the second appraisal is not to be used for case processing, why would we use the lesser of the two on a 90-day resale?**

The lesser of the two values is required for 90-180 day flips with increases in excess of 100%, in which case the appraisal is required to be logged into the FHA Connection. Mortgagee Letter 2006-14 refers.

**Please explain the exceptions for ordering an appraisal without a case number.**

The appraisal effective date cannot be before the assignment date unless the lender certifies, via the certification field in the FHAC Appraisal Logging Screen, that the appraisal was ordered for conventional, HUD REO, or government guaranteed loan purposes but was performed by an FHA Roster appraiser and is being converted to FHA. The property appraisal inspection must have been/must be completed in accordance with HUD/FHA requirements.

**When a case number is transferred, sometimes it's difficult to get the appraiser to do any final inspections that might be required. Can a different appraiser perform the final inspection?**

Yes. Any Roster appraiser may perform the final inspection; you are not limited to the original appraiser.

**When the appraisal expires after 120 days, can a second appraisal be ordered from a new appraiser? If the new appraisal is higher, which appraisal is used?**

If the appraisal expires, it is no longer valid. A new appraisal could be ordered from a different appraiser. This new appraisal will be the appraisal you use to underwrite the loan.

**Your information pertaining to the REO appraisal validity period, says to order a new appraisal if the appraisal is older than 120 days from the contract execution? I have been told that the expiration of the appraisal is 120 days from effective date and that a valid sales contract should be consummated prior to the 120 days expiration?**

The contract must be executed prior to the expiration of the appraisal. If not, either the loan must close within the 30 day extension period, or an appraisal update would be required. The update would have to be completed, and logged into FHA Connection prior to the original expiration date.

**Can the DE underwriter reject an appraisal on a HUD-Owned REO property and/or require more repairs to be done?**

Mortgage lenders should ensure that properties financed with FHA-insured mortgages meet the Department's Minimum Property Requirements/Standards. Mortgage lenders should discuss any discrepancies with the M&M contractor for resolution. In the event the home inspection or the systems check reveals that repairs are needed which no longer make the property eligible for an FHA-insured 203(b) mortgage, the mortgage lender should contact the M&M contractor to discuss alternatives to allow the sale to continue.

**Does the new lender of a transferred appraisal have to accept the report?**

If an appraisal is transferred, the new lender is responsible for review. The lender is held responsible, equally with the appraiser, for the integrity, accuracy and thoroughness of an appraisal submitted to FHA for mortgage insurance purposes. A new appraisal may be ordered, in accordance with Mortgagee Letter 2009-29 (Subject: Appraisal Portability), only if:

1. The first appraisal contains material deficiencies as determined by the DE underwriter for the second lender.
2. The appraiser who performed the first appraisal is on the second lender's exclusionary list of appraisers.
3. Failure of the first lender to provide a copy of the appraisal to the second lender in a timely manner would cause a delay in closing, posing potential harm to the borrower.

In any case, all appraisals completed with the same case number must be retained in the case binder/loan file.

**Can the second lender request corrections/changes to the original report, i.e., additional comparable properties or change to a new borrower or new purchase price?**

No. Any corrections or changes to the original report made by the original appraiser for the second lender would be in violation of HUD protocol and USPAP. Requesting corrections or changes could be interpreted as applying undue pressure on the appraiser. 2012-2013 USPAP FAQs 120 and 121 make it clear that it is never permissible to readdress a report. Additionally, 2012-2013 USPAP Advisory Opinion 26, which interprets existing standards, states, in relevant part, "Once a report has been prepared for a named client and any other identified intended users and for an identified intended use, the appraiser cannot "readdress" (transfer) the report to another party".

**Please comment of condition requirements for detached garages, sheds, fences, etc. Peeling paint, moisture damage, etc., many times the lender will ask us not to give contributory value to the item, and not require repairs.**

If the outbuildings, fences, etc. have a health and safety concern (i.e. lead based paint), mitigation must be completed, even if no value is given. Appraisers are reminded that appraisers do not determine value, but must report market reaction. Reporting an amenity contrary to market reaction is a violation of USPAP Standard 1.

**How can the appraiser tell if a manufactured home has been moved?**

The appraiser can look for signs such as a data plate with wind/snow loads, which are not commensurate with the unit's location.

**If both interior and exterior HUD/manufacture tags are missing, will an IBTS report suffice in lieu of both tags?**

If there is confirmation from IBTS, the property would be acceptable.

**How do we know a resold manufactured home's foundation was certified when built?**

If it cannot be determined, a new engineer's certification would be required. All manufactured housing requires a certification except for a HUD-Owned REO or an FHA to FHA transaction.

**If a septic system exists, must the appraiser make a comment regarding availability of connection to public sewer?**

The appraiser is required to report availability of public services; the underwriter is required to determine feasibility of connection.

**99b is not required if the builder uses pressure treated lumber, correct?**

That is correct. The lender is required to utilize NPMA 99A, and select the appropriate section.

**What if the community does not subscribe to the flood mapping system?**

Flood insurance is required over the loan term as long as the property is in a SFHA. If flood insurance under NFIP is not available, the property is not eligible.

**If Flooring is missing (exposed slab/sub-floor not sealed) is this a MPR item?**

Floor coverings are not a requirement for meeting MPR. If missing, the appraiser must determine if there is a health/safety/security issue. Reference Mortgagee Letter 2005-48.

**Does FHA accept the 1004D Completion Certification form in place of the FHA Compliance Inspection Report form 92051?**

You must use the Compliance Inspection Report for ALL Manufactured homes, and for single family new construction less than 12-months old.

**What construction classification do you use when a borrower wants to purchase a builders' model home that was built in 2011 but has never been occupied?**

If it is confirmed the property existed greater than 1-year, the property would be considered existing construction.

**Does FHA finance properties which are located within the fall distance of high voltage towers? Or is it only a problem with the property is within the easement of the high power tension line towers?**

If the dwelling or related property improvement is located within the easement of a high voltage tower, the lender must obtain a letter from the owner or operator of the tower indicating that the dwelling and its related property improvements are not located within the tower's (engineered) fall distance in order to waive this requirement.

**What about properties served by a common well serving several properties and having a shared well agreement?**

Refer to Handbook 4150.1 regarding shared wells. HUD does not accept shared wells with greater than 4 properties.

**If the appraiser takes a picture of the attic without comments on the attic is that acceptable?**

Comments regarding the attic inspection are not required, unless there are concerns which may warrant the appraisal to be completed "subject to".

**What is the height distance recommended for a crawlspace?**

18 inches is only a guideline, there must be adequate space for repairs if mechanical systems are in crawl space.

**If the scuttle is in ceiling of the house, do we have to make the inspection? Do we have to carry a ladder?**

The appraiser is required to inspect the attic; therefore, should be carrying a ladder.

**If a property post 1978 has peeling paint or exposed raw wood, does that have to be treated and painted due to exposed wood and potential future damage to structure?**

Yes. All exterior bare wood surfaces should be protected.

**The lender states the peeling paint on the fence will be corrected through escrow hold back. Can the 1004D be completed stating this?**

No. If a health/safety concern on pre-1978 house, no escrow is allowed. It must be repaired prior to closing.

**For a condo with defective paint, if the condo building's exterior has defective paint, the report is subject to repair. What is the guideline number or mortgage letter that requires it?**

For condominium units, the appraiser needs to inspect only the exterior surfaces and appurtenant structures of the unit being appraised and address the overall condition, maintenance and appearance of the condominium project. If the condominium project was built before 1978 and shows signs of excessive deferred maintenance or defective paint, prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

**We run into many situations with older properties that show bowing basement walls. We are being told these have been this way for years, yet the cracks are significant. Do we need a structural inspection to confirm?**

Yes, by a professionally and/or appropriately licensed, bonded, registered engineer.

**What are requirements for garage conversions or room additions without permits?**

FHA does not require permits. The property must remain marketable.

**Is the lender responsible for providing the Builder's Certification to the appraiser for new construction appraisals?**

Yes, the builder must complete the Builders Certification and it must be dated prior to the appraisal.

**You mentioned at the start of this that there was a list of commonly asked questions that we can review; can you tell me how to do so?**

Knowledge Base: [www.hud.gov/answers](http://www.hud.gov/answers)